

105TH CONGRESS
2D SESSION

H. R. 4739

To amend the Internal Revenue Code of 1986 and title XVIII of the Social Security Act to provide for comprehensive financing for graduate medical education.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 8, 1998

Mr. CARDIN (for himself, Mr. STARK, and Mr. JEFFERSON) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 and title XVIII of the Social Security Act to provide for comprehensive financing for graduate medical education.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “All-Payer Graduate Medical Education Act”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.



TITLE I—HEALTH CARE WORKFORCE TRUST FUND; PAYMENTS
TO TEACHING HOSPITALS

Subtitle A—Establishment and Financing of Fund

- Sec. 101. Establishment.
- Sec. 102. Financing for fund; fees on insured and self-insured health plans.

Subtitle B—Additional Payments to Teaching Hospitals

- Sec. 111. Formula payments regarding private-sector share of costs of graduate medical education.
- Sec. 112. Application for payments.
- Sec. 113. Annual amount of payments.
- Sec. 114. Definitions.
- Sec. 115. Study.

Subtitle C—Conforming Changes in Medicare Payment for Direct Costs of
Graduate Medical Education

- Sec. 121. Changes in medicare formula for payment of direct GME costs.
- Sec. 122. Rural exception from limitation on number of residents.

TITLE II—HEALTH WORKFORCE PRIORITIES

- Sec. 201. Plan to reduce residency training positions.

TITLE III—MODIFICATION IN MEDICARE PAYMENT FOR IME AND
DSH

- Sec. 301. Modification regarding payments for indirect costs of graduate medical education.
- Sec. 302. Modification of DSH.

TITLE IV—ADDITIONAL PAYMENTS FOR GRADUATE EDUCATION
FOR NON-PHYSICIAN HEALTH PROFESSIONALS

- Sec. 401. Payments for graduate education for non-physician health professionals.

1 **TITLE I—HEALTH CARE WORK-**
2 **FORCE TRUST FUND; PAY-**
3 **MENTS TO TEACHING HOS-**
4 **PITALS**

5 **Subtitle A—Establishment and**
6 **Financing of Fund**

7 **SEC. 101. ESTABLISHMENT.**

8 (a) IN GENERAL.—Subchapter A of chapter 98 of the
9 Internal Revenue Code of 1986 (relating to trust fund
10 code) is amended by adding at the end the following new
11 section:

12 **“SEC. 9511. HEALTH CARE WORKFORCE TRUST FUND.**

13 “(a) CREATION OF TRUST FUND.—There is estab-
14 lished in the Treasury of the United States a trust fund
15 to be known as the ‘Health Care Workforce Trust Fund’,
16 consisting of such amounts as may be appropriated or
17 credited to such Trust Fund as provided in this section
18 and section 9602(b).

19 “(b) TRANSFERS TO FUND.—

20 (1) IN GENERAL.—There are hereby appro-
21 priated to the Health Care Workforce Trust Fund—

22 “(A) amounts equivalent to the net reve-
23 nues received in the Treasury from the fees im-
24 posed under subchapter B of chapter 34 (relat-

1 ing to fees on health insurance and health-relat-
2 ed administrative services);

3 “(B) subject to paragraph (2), from the
4 Federal Hospital Insurance Trust Fund (estab-
5 lished under section 1817 of the Social Security
6 Act) amounts determined by the Secretary of
7 Health and Human Services to be equivalent to
8 the reductions in payments made from such
9 Trust Fund by virtue of the amendments made
10 by the All-Payer Graduate Medical Education
11 Act; and

12 “(C) subject to paragraph (2), from the
13 Federal Supplementary Medical Insurance
14 Trust Fund (established under section 1841 of
15 the Social Security Act) amounts determined by
16 the Secretary of Health and Human Services to
17 be equivalent to the reductions in payments
18 made from such Trust Fund by virtue of the
19 amendments made by the All-Payer Graduate
20 Medical Education Act.

21 “(2) LIMITATION ON TRANSFERS FROM MEDI-
22 CARE TRUST FUNDS.—If the sum of the amounts
23 otherwise transferred (but for this paragraph) under
24 subparagraph (B) and (C) of paragraph (1) for a
25 fiscal year would exceed \$300,000,000, the amounts

1 so transferred under each respective subparagraph
 2 shall be reduced in a pro-rated manner so that the
 3 total so transferred is equal to \$300,000,000.

4 “(c) EXPENDITURES FROM FUND.—Amounts in the
 5 Health Care Workforce Trust Fund are available to the
 6 Secretary of Health and Human Services for making pay-
 7 ments under sections 111 and 401 of the All-Payer Grad-
 8 uate Medical Education Act.

9 “(d) NET REVENUES.—For purposes of this section,
 10 the term ‘net revenues’ means the amount estimated by
 11 the Secretary based on the excess of—

12 “(1) the fees received in the Treasury under
 13 subchapter B of chapter 34, over

14 “(2) the decrease in the tax imposed by chapter
 15 1 resulting from the fees imposed by such sub-
 16 chapter.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
 18 for such subchapter A is amended by adding at the end
 19 thereof the following new item:

“Sec. 9511. Health Care Workforce Trust Fund.”.

20 **SEC. 102. FINANCING FOR FUND; FEES ON INSURED AND**
 21 **SELF-INSURED HEALTH PLANS.**

22 (a) GENERAL RULE.—Chapter 34 of the Internal
 23 Revenue Code of 1986 is amended by adding at the end
 24 the following new subchapter:

1 **“Subchapter B—Insured and Self-Insured**
 2 **Health Plans**

“Sec. 4375. Health insurance and health-related administrative services.

“Sec. 4376. Self-insured health plans.

“Sec. 4377. Definitions and special rules.

3 **“SEC. 4375. HEALTH INSURANCE AND HEALTH-RELATED**
 4 **ADMINISTRATIVE SERVICES.**

5 “(a) IMPOSITION OF FEE.—There is hereby im-
 6 posed—

7 “(1) on each specified health insurance policy,
 8 a fee equal to 1 percent of the premiums received
 9 under such policy, and

10 “(2) on each amount received for health-related
 11 administrative services, a fee equal to 1 percent of
 12 the amount so received.

13 “(b) LIABILITY FOR FEE.—

14 “(1) HEALTH INSURANCE.—The fee imposed by
 15 subsection (a)(1) shall be paid by the issuer of the
 16 policy.

17 “(2) HEALTH-RELATED ADMINISTRATIVE SERV-
 18 ICES.—The fee imposed by subsection (a)(2) shall be
 19 paid by the person providing the health-related ad-
 20 ministrative services.

21 “(c) SPECIFIED HEALTH INSURANCE POLICY.—For
 22 purposes of this section—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this section, the term ‘specified health in-
3 surance policy’ means any accident or health insur-
4 ance policy issued with respect to individuals resid-
5 ing in the United States.

6 “(2) EXEMPTION OF CERTAIN POLICIES.—The
7 term ‘specified health insurance policy’ does not in-
8 clude any insurance policy if substantially all of the
9 coverage provided under such policy relates to—

10 “(A) liabilities incurred under workers’
11 compensation laws,

12 “(B) tort liabilities,

13 “(C) liabilities relating to ownership or use
14 of property,

15 “(D) credit insurance, or

16 “(E) such other similar liabilities as the
17 Secretary may specify by regulations.

18 “(3) SPECIAL RULE WHERE POLICY PROVIDES
19 OTHER COVERAGE.—In the case of any specified
20 health insurance policy under which amounts are
21 payable other than for accident and health coverage,
22 in determining the amount of the fee imposed by
23 subsection (a)(1) on any premium received under
24 such policy, there shall be excluded the amount of

1 the charge for the non-accident and health coverage
2 if—

3 “(A) the charge for such non-accident and
4 health coverage is either separately stated in
5 the policy, or furnished to the policyholder in a
6 separate statement, and

7 “(B) such charge is reasonable in relation
8 to the total charges under the policy.

9 In any other case, the entire amount of the premium
10 received under such a policy shall be subject to the
11 fees under subsection (a)(1).

12 “(4) TREATMENT OF PREPAID HEALTH COV-
13 ERAGE ARRANGEMENTS.—

14 “(A) IN GENERAL.—In the case of any ar-
15 rangement described in subparagraph (B)—

16 “(i) such arrangement shall be treated
17 as a specified health insurance policy,

18 “(ii) the payments or premiums re-
19 ferred to in subparagraph (B)(i) shall be
20 treated as premiums received for a speci-
21 fied health insurance policy, and

22 “(iii) the person referred to in sub-
23 paragraph (B)(i) shall be treated as the
24 issuer.

1 “(B) DESCRIPTION OF ARRANGEMENTS.—

2 An arrangement is described in this subpara-
3 graph if under such arrangement—

4 “(i) fixed payments or premiums are
5 received as consideration for any person’s
6 agreement to provide or arrange for the
7 provision of accident or health coverage to
8 residents of the United States, regardless
9 of how such coverage is provided or ar-
10 ranged to be provided, and

11 “(ii) substantially all of the risks of
12 the rates of utilization of services is as-
13 sumed by such person or the provider of
14 such services.

15 “(d) HEALTH-RELATED ADMINISTRATIVE SERV-
16 ICES.—For purposes of this section, the term ‘health-re-
17 lated administrative services’ means—

18 “(1) the processing of claims or performance of
19 other administrative services in connection with acci-
20 dent or health coverage under a specified health in-
21 surance policy if the charge for such services is not
22 included in the premiums under such policy, and

23 “(2) processing claims, arranging for provision
24 of accident or health coverage, or performing other
25 administrative services in connection with an appli-

1 cable self-insured health plan (as defined in section
2 4376(c)) established or maintained by another per-
3 son.

4 **“SEC. 4376. SELF-INSURED HEALTH PLANS.**

5 “(a) IMPOSITION OF FEE.—In the case of any appli-
6 cable self-insured health plan, there is hereby imposed a
7 fee for each month equal to 1 percent of the sum of—

8 “(1) the accident and health coverage expendi-
9 tures for such month under such plan, and

10 “(2) the direct administrative expenditures for
11 such month under such plan.

12 “(b) LIABILITY FOR FEE.—

13 “(1) IN GENERAL.—The fee imposed by sub-
14 section (a) shall be paid by the plan sponsor.

15 “(2) PLAN SPONSOR.—For purposes of para-
16 graph (1) the term ‘plan sponsor’ means—

17 “(A) the employer in the case of a plan es-
18 tablished or maintained by a single employer,

19 “(B) the employee organization in the case
20 of a plan established or maintained by an em-
21 ployee organization,

22 “(C) in the case of—

23 “(i) a plan established or maintained
24 by 2 or more employers or jointly by 1 or

1 more employers and 1 or more employee
2 organizations,

3 “(ii) a multiple employer welfare ar-
4 rangement, or

5 “(iii) a voluntary employees’ bene-
6 ficiary association described in section
7 501(c)(9),

8 the association, committee, joint board of trust-
9 ees, or other similar group of representatives of
10 the parties who establish or maintain the plan,
11 or

12 “(D) the cooperative or association de-
13 scribed in subsection (c)(2)(F) in the case of a
14 plan established or maintained by such a coop-
15 erative or association.

16 “(c) APPLICABLE SELF-INSURED HEALTH PLAN.—
17 For purposes of this section, the term ‘applicable self-in-
18 sured health plan’ means any plan for providing accident
19 or health coverage if—

20 “(1) any portion of such coverage is provided
21 other than through an insurance policy, and

22 “(2) such plan is established or maintained—

23 “(A) by one or more employers for the
24 benefit of their employees or former employees,

1 “(B) by one or more employee organiza-
 2 tions for the benefit of their members or former
 3 members,

4 “(C) jointly by 1 or more employers and 1
 5 or more employee organizations for the benefit
 6 of employees or former employees,

7 “(D) by a voluntary employees’ beneficiary
 8 association described in section 501(c)(9),

9 “(E) by any organization described in sec-
 10 tion 501(c)(6), or

11 “(F) in the case of a plan not described in
 12 the preceding subparagraphs, by a multiple em-
 13 ployer welfare arrangement (as defined in sec-
 14 tion 3(40) of Employee Retirement Income Se-
 15 curity Act of 1974), a rural electric cooperative
 16 (as defined in section 3(40)(B)(iv) of such Act),
 17 or a rural telephone cooperative association (as
 18 defined in section 3(40)(B)(v) of such Act).

19 “(d) ACCIDENT AND HEALTH COVERAGE EXPENDI-
 20 TURES.—For purposes of this section—

21 “(1) IN GENERAL.—The accident and health
 22 coverage expenditures of any applicable self-insured
 23 health plan for any month is the aggregate expendi-
 24 tures for such month for accident and health cov-
 25 erage provided under such plan to the extent such

1 expenditures are not subject to the fees under sec-
2 tion 4375.

3 “(2) TREATMENT OF REIMBURSEMENTS.—In
4 determining accident and health coverage expendi-
5 tures during any month of any applicable self-in-
6 sured health plan, reimbursements (by insurance or
7 otherwise) received during such month for accident
8 and health coverage expenditures shall be taken into
9 account as a reduction in accident and health cov-
10 erage expenditures.

11 “(3) CERTAIN EXPENDITURES DISREGARDED.—
12 Paragraph (1) shall not apply to any expenditure for
13 the acquisition or improvement of land or for the ac-
14 quisition or improvement of any property to be used
15 in connection with the provision of accident and
16 health coverage which is subject to the allowance
17 under section 167, except that, for purposes of para-
18 graph (1), allowances under section 167 shall be
19 considered as expenditures.

20 “(e) DIRECT ADMINISTRATIVE EXPENDITURES.—
21 For purposes of this section, the term ‘direct administra-
22 tive expenditures’ means the administrative expenditures
23 under the plan to the extent such expenditures are not
24 subject to the fees under section 4375. In determining the

1 amount of such expenditures, rules similar to the rules of
2 subsection (d)(3) shall apply.

3 **“SEC. 4377. DEFINITIONS AND SPECIAL RULES.**

4 “(a) DEFINITIONS.—For purposes of this sub-
5 chapter—

6 “(1) ACCIDENT AND HEALTH COVERAGE.—The
7 term ‘accident and health coverage’ means any cov-
8 erage which, if provided by an insurance policy,
9 would cause such policy to be a specified health in-
10 surance policy (as defined in section 4375(c)).

11 “(2) INSURANCE POLICY.—The term ‘insurance
12 policy’ means any policy or other instrument where-
13 by a contract of insurance is issued, renewed, or ex-
14 tended.

15 “(3) PREMIUM.—The term ‘premium’ means
16 the gross amount of premiums and other consider-
17 ation (including advance premiums, deposits, fees,
18 and assessments) arising from policies issued by a
19 person acting as the primary insurer, adjusted for
20 any return or additional premiums paid as a result
21 of endorsements, cancellations, audits, or retrospec-
22 tive rating.

23 “(4) UNITED STATES.—The term ‘United
24 States’ includes any possession of the United States.

25 “(b) TREATMENT OF GOVERNMENTAL ENTITIES.—

1 “(1) IN GENERAL.—For purposes of this sub-
2 chapter—

3 “(A) the term ‘person’ includes any gov-
4 ernmental entity, and

5 “(B) notwithstanding any other law or rule
6 of law, governmental entities shall not be ex-
7 empt from the fees imposed by this subchapter
8 except as provided in paragraph (2).

9 “(2) TREATMENT OF EXEMPT GOVERNMENTAL
10 PROGRAMS.—In the case of an exempt governmental
11 program—

12 “(A) no fee shall be imposed under section
13 4375 on any premium received pursuant to
14 such program or on any amount received for
15 health-related administrative services pursuant
16 to such program, and

17 “(B) no fee shall be imposed under section
18 4376 on any expenditures pursuant to such
19 program.

20 “(3) EXEMPT GOVERNMENTAL PROGRAM DE-
21 FINED.—For purposes of this subchapter, the term
22 ‘exempt governmental program’ means—

23 “(A) the insurance programs established
24 by parts A, B, and C of title XVIII of the So-
25 cial Security Act,

1 “(B) the medical assistance program es-
2 tablished by title XIX or XXI of the Social Se-
3 curity Act,

4 “(C) any program established by Federal
5 law for providing medical care (other than
6 through insurance policies) to individuals (or
7 the spouses and dependents thereof) by reason
8 of such individuals being—

9 “(i) members of the Armed Forces of
10 the United States, or

11 “(ii) veterans, and

12 “(D) any program established by Federal
13 law for providing medical care (other than
14 through insurance policies) to members of In-
15 dian tribes (as defined in section 4(d) of the In-
16 dian Health Care Improvement Act).

17 “(c) TREATMENT AS TAX.—For purposes of subtitle
18 F, the fees imposed by this subchapter shall be treated
19 as if they were taxes.

20 “(d) NO COVER OVER TO POSSESSIONS.—Notwith-
21 standing any other provision of law, no amount collected
22 under this subchapter shall be covered over to any posses-
23 sion of the United States.”

1 (b) CLERICAL AMENDMENT.—Chapter 34 of such
 2 Code is amended by striking the chapter heading and in-
 3 serting the following:

4 **“CHAPTER 34—TAXES ON CERTAIN**
 5 **INSURANCE POLICIES**

“Subchapter A. Policies issued by foreign insurers.

“Subchapter B. Insured and self-insured health plans.

6 **“Subchapter A—Policies Issued By Foreign**
 7 **Insurers”.**

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply with respect to premiums received
 10 and expenses incurred after December 31, 1999.

11 **Subtitle B—Additional Payments to**
 12 **Teaching Hospitals**

13 **SEC. 111. FORMULA PAYMENTS REGARDING PRIVATE-SEC-**
 14 **TOR SHARE OF COSTS OF GRADUATE MEDI-**
 15 **CAL EDUCATION.**

16 (a) IN GENERAL.—In the case of each teaching hos-
 17 pital that in accordance with section 112 submits to the
 18 Secretary an application for calendar year 2002 or any
 19 subsequent calendar year (referred to in this title as an
 20 “eligible hospital” for the year involved), the Secretary
 21 shall in accordance with section 113 make payments for
 22 such year to the hospital.

1 (b) DEFINITIONS.—For purposes of this subtitle, the
2 term “teaching hospital” means any hospital that receives
3 payments under subsection (d)(5)(B) or (h) of section
4 1886 of the Social Security Act (relating to graduate med-
5 ical education), or that would be eligible to receive such
6 payments but for the fact that it is located in a State for
7 which a demonstration program under section 1814(b)(3)
8 of such Act is in effect.

9 **SEC. 112. APPLICATION FOR PAYMENTS.**

10 For purposes of section 111(a), an application for
11 payments under such section for a calendar year is in ac-
12 cordance with this section if—

13 (1) the application is submitted not later than
14 the date specified by the Secretary;

15 (2) the application contains the agreements re-
16 quired in this subtitle; and

17 (3) the application is in such form, is made in
18 such manner, and contains such agreements, assur-
19 ances, and information as the Secretary determines
20 to be necessary to carry out this subtitle.

21 **SEC. 113. ANNUAL AMOUNT OF PAYMENTS.**

22 (a) IN GENERAL.—From amounts in the Health Care
23 Workforce Trust Fund under section 9511 of the Internal
24 Revenue Code of 1986, the Secretary shall make payments

1 under section 111 to an eligible hospital for a calendar
2 year as follows:

3 (1) Payments, made on a periodic basis, whose
4 sum is equal to the amount determined under sub-
5 section (c) for the hospital for the year (which
6 amount relates to the direct costs for graduate medi-
7 cal education attributable to certain individuals).

8 (2) Payments (in addition to payments under
9 paragraph (1)), made on a periodic basis, whose sum
10 is equal to the amount determined under subsection
11 (d) for the hospital for the year (which amount re-
12 lates to the per-discharge indirect costs of the hos-
13 pital for graduate medical education attributable to
14 certain individuals).

15 (b) EFFECTIVE DATES FOR PAYMENTS.—Payments
16 under paragraph (1) of subsection (a) are effective for por-
17 tions of cost reporting periods occurring on or after Janu-
18 ary 1, 2001. Payments under paragraph (2) of such sub-
19 section are effective for patient discharges occurring on
20 or after such date.

21 (c) AMOUNT OF PAYMENTS; DIRECT COSTS.—

22 (1) IN GENERAL.—For purposes of paragraph
23 (1) of subsection (a), the amount determined under
24 this subsection for an eligible hospital for a calendar
25 year is the product of—

1 (A) the aggregate nonmedicare training
 2 amount for the hospital, as defined in para-
 3 graph (2); and

4 (B) the direct-cost Fund payout percent-
 5 age, as defined in paragraph (4).

6 (2) AGGREGATE NONMEDICARE TRAINING
 7 AMOUNT.—For purposes of this subtitle, the term
 8 “aggregate nonmedicare training amount”, with re-
 9 spect to the eligible hospital involved, means (subject
 10 to paragraph (3)(D)) an amount equal to the prod-
 11 uct of subparagraphs (A) and (B), as follows:

12 (A) The number of full-time-equivalent
 13 training participants in the approved physician
 14 training programs of the hospital for the aca-
 15 demic year in which the calendar year begins,
 16 not to exceed the maximum total number per-
 17 mitted under section 1886(h)(4)(F) of the So-
 18 cial Security Act.

19 (B) An amount equal to the product of—

20 (i) the national average FTE wage-re-
 21 lated compensation, as defined in para-
 22 graph (3); and

23 (ii) a percentage equal to the fraction
 24 of the total inpatient hospital and out-
 25 patient hospital revenues (as established by

1 the Secretary) during the cost reporting
2 period which are attributable to patients
3 with respect to whom payment may be
4 made under health insurance coverage
5 (whether through a group health plan or
6 otherwise) or under a group health plan.

7 For purposes of clause (ii), payment made
8 under the medicare or medicaid programs
9 (under titles XVIII or XIX of the Social Secu-
10 rity Act) shall not be treated as payment under
11 health insurance coverage.

12 (3) NATIONAL AVERAGE FTE WAGE-RELATED
13 COMPENSATION.—

14 (A) IN GENERAL.—For purposes of this
15 subtitle, the term “national average FTE wage-
16 related compensation” means the national aver-
17 age of the costs of resident salaries and related
18 fringe benefits per training participant for all
19 approved physician training programs and all
20 medical specialties, as adjusted under subpara-
21 graphs (B) and (C). Such national average shall
22 be based upon a national resident wage survey
23 for salaries and related fringe benefits as of
24 July 1, 1998, as determined by the Secretary

1 and shall not include costs of overhead or su-
2 pervision.

3 (B) ANNUAL ADJUSTMENTS PER CON-
4 SUMER PRICE INDEX.—The national average
5 applicable under subparagraph (A) for a cal-
6 endar year for such programs is, subject to sub-
7 paragraph (C), the amount determined under
8 subparagraph (A) increased by the estimated
9 percentage change in the consumer price index
10 from the January 1999 through the midpoint of
11 the year involved, with appropriate adjustments
12 to reflect previous under-or over-estimations
13 under this subparagraph in the projected per-
14 centage change in the consumer price index.

15 (C) INDIVIDUAL ADJUSTMENTS PER AREA
16 WAGE INDEX.—The national average deter-
17 mined under subparagraph (A) and adjusted
18 under subparagraph (B) for a calendar year
19 shall, in the case of the approved physician
20 training programs of the eligible hospital in-
21 volved, be adjusted by a factor to reflect re-
22 gional differences in wage and wage-related
23 costs, as determined in accordance with the
24 area wage index applicable (as of the beginning
25 of such year) to hospitals in the labor-market

1 area involved, as determined under section
2 1886(d)(3)(E) of the Social Security Act.

3 (D) ALTERNATIVE RULE FOR CERTAIN
4 HOSPITALS.—

5 (i) ELECTION FOR APPLICABILITY OF
6 RULE.—In the case of an eligible hospital
7 for which the election under section
8 1861(b)(7) of the Social Security Act was
9 in effect on July 1, 1998, and has re-
10 mained in effect continuously from such
11 date, the following applies:

12 (I) The hospital may, with re-
13 spect to the determination under
14 paragraph (2) of the aggregate non-
15 medicare training amount for the hos-
16 pital, elect to have the alternative rule
17 described in clause (ii) applied to the
18 hospital.

19 (II) If the election under such
20 section 1861(b)(7) ceases to be in ef-
21 fect, any election made by the hospital
22 under subclause (I) is terminated.

23 (III) If the hospital has made the
24 election under subclause (I) and sub-
25 sequently requests that the election be

1 terminated, the Secretary shall ap-
2 prove the request. Upon the approval
3 of the request, the hospital may not
4 subsequently elect to have the alter-
5 native rule applied to the hospital.

6 (ii) DESCRIPTION OF ALTERNATIVE
7 RULE.—With respect to a determination
8 under paragraph (2) of the aggregate non-
9 medicare training amount for an eligible
10 hospital that has made the election under
11 clause (i), the alternative rule described in
12 this clause is as follows:

13 (I) In lieu of the applicability of
14 the national FTE training amount
15 (for purposes of paragraph (2)(B)(i)),
16 the Secretary shall apply an amount
17 equal to the approved FTE resident
18 amount in effect for the hospital
19 under section 1886(h)(2) of the Social
20 Security Act.

21 (II) Subject to the modification
22 applied under subclause (I), the Sec-
23 retary shall determine an amount
24 under paragraph (2).

1 (III) The Secretary shall deter-
 2 mine an amount equal to the product
 3 of the fraction determined under
 4 paragraph (2)(B)(ii) and the amount
 5 of the physician costs of services rec-
 6 ognized under section 1861(v)(1) of
 7 the Social Security Act pursuant to
 8 the election of the hospital under sec-
 9 tion 1861(b)(7) of such Act.

10 (IV) In lieu of the applicability of
 11 the aggregate nonmedicare training
 12 amount (for purposes of paragraph
 13 (1)(A)), the Secretary shall apply an
 14 amount equal to the sum of the
 15 amount determined under subclause
 16 (II) and the amount determined under
 17 subclause (III).

18 (4) DIRECT-COST FUND PAYOUT PERCENT-
 19 AGE.—For purposes of this subtitle, the term “di-
 20 rect-cost Fund payout percentage”, with respect to
 21 the calendar year involved, means a percentage equal
 22 to the ratio of—

23 (A) the amount available in the Health
 24 Care Workforce Trust Fund for such year (as
 25 estimated by the Secretary); to

1 (B) an amount equal to the total amount
 2 of payments under subsection (a)(1) that would
 3 be made to eligible hospitals for such year if
 4 each hospital received, pursuant to paragraph
 5 (1), 100 percent of the aggregate nonmedicare
 6 training amount determined for the hospital.

7 (d) AMOUNT OF PAYMENTS; INDIRECT COSTS.—

8 (1) IN GENERAL.—For purposes of paragraph
 9 (2) of subsection (a), the amount determined under
 10 this subsection for an eligible hospital for a calendar
 11 year is the product of—

12 (A) an amount equal to the sum of the
 13 nonmedicare per-discharge supplemental pay-
 14 ments, as defined in paragraph (2); and

15 (B) the indirect-cost Fund payout percent-
 16 age, as defined in paragraph (3).

17 (2) NONMEDICARE PER-DISCHARGE SUPPLE-
 18 MENTAL PAYMENT.—

19 (A) IN GENERAL.—For purposes of this
 20 subtitle, the term “nonmedicare per-discharge
 21 supplemental payment”, with respect to a cal-
 22 endar year, means a payment made to an eligi-
 23 ble hospital for a discharge during the year of
 24 a patient described in subparagraph (B), the

1 amount of which payment is determined in ac-
2 cordance with subparagraph (C).

3 (B) RELEVANT PATIENTS.—For purposes
4 of subparagraph (A), a patient described in this
5 subparagraph is a patient who is not—

6 (i) entitled to benefits under part A of
7 title XVIII of the Social Security Act; or

8 (ii) eligible for medical assistance
9 under title XIX of such Act.

10 (C) AMOUNT OF PER-DISCHARGE PAY-
11 MENT.—For purposes of subparagraph (A), the
12 amount of the payment under such subpara-
13 graph for the discharge of a patient described
14 in subparagraph (B) is the product of—

15 (i) the amount which would be deter-
16 mined with respect to the discharge under
17 section 1886(d)(1)(A)(iii) of the Social Se-
18 curity Act if the patient were entitled to
19 benefits under part A of title XVIII of
20 such Act, adjusted by the Secretary to take
21 into account differences in health status,
22 utilization of services, and other demo-
23 graphic characteristics among individuals
24 entitled to benefits under part A of title

1 XVIII of such Act and individuals who are
2 not so entitled; and

3 (ii) the percentage applicable to the
4 hospital under section 1886(d)(5)(B)(ii) of
5 such Act.

6 (D) SPECIAL RULE FOR CERTAIN HOS-
7 PITALS.—In the case of a hospital that is lo-
8 cated in a State for which a demonstration pro-
9 gram under section 1814(b)(3) of the Social Se-
10 curity Act is in effect, the Secretary shall, for
11 purposes of applying subparagraph (C) to dis-
12 charges from the hospital, make determinations
13 under such subparagraph as if paragraphs
14 (1)(A)(iii) and (5)(B)(ii) of section 1886(d) of
15 such Act applied to the hospital.

16 (3) INDIRECT-COST FUND PAYOUT PERCENT-
17 AGE.—For purposes of this subtitle, the term “indi-
18 rect-cost Fund payout percentage”, with respect to
19 the calendar year involved, means a percentage equal
20 to the ratio of—

21 (A) the amount available in the Health
22 Care Workforce Trust Fund for such year re-
23 maining after payments for the year have been
24 made under subsection (a)(1) (as such amount
25 is estimated by the Secretary); to

1 (B) the total amount of payments under
2 subsection (a)(2) that would be made to eligible
3 hospitals for such year if each hospital received,
4 pursuant to paragraph (1), 100 percent of an
5 amount equal to the sum of the nonmedicare
6 per-discharge supplemental payments deter-
7 mined for the hospital.

8 (e) DEFINITIONS.—For purposes of this subtitle, the
9 term “full-time-equivalent training participant” means a
10 full-time equivalent resident of the hospital as determined
11 under section 1886(h)(4) of the Social Security Act for
12 the cost reporting period involved.

13 **SEC. 114. DEFINITIONS.**

14 For purposes of this subtitle:

15 (1) The term “aggregate nonmedicare training
16 amount” has the meaning given such term in section
17 113(c)(2).

18 (2) The term “direct-cost Fund payout percent-
19 age” has the meaning given such term in section
20 113(c)(4).

21 (3) The term “full-time-equivalent training par-
22 ticipant” has the meaning given such term in section
23 113(e).

1 (4) The term “indirect-cost Fund payout per-
2 centage” has the meaning given such term in section
3 113(d)(3).

4 (5) The term “national average FTE wage-re-
5 lated compensation” has the meaning given such
6 term in section 113(e)(3).

7 (6) The term “nonmedicare per-discharge sup-
8 plemental payment” has the meaning given such
9 term in section 113(d)(2).

10 (7) The term “Secretary” means the Secretary
11 of Health and Human Services, unless the context of
12 usage indicates otherwise.

13 (8) The term “teaching hospital” has the mean-
14 ing given such term in section 111(b).

15 **SEC. 115. STUDY.**

16 (a) STUDY.—The Secretary of Health and Human
17 Services shall conduct a study of the impact of this sub-
18 title.

19 (b) REPORT.—Not later than 5 years after the date
20 that payments are first made under this subtitle, the Sec-
21 retary shall submit to Congress a report on such study
22 and shall include such recommendations on the continu-
23 ation of payments under this subtitle, and such changes
24 in such payments, as the Secretary deems appropriate.

1 **Subtitle C—Conforming Changes in**
 2 **Medicare Payment for Direct**
 3 **Costs of Graduate Medical Edu-**
 4 **cation**

5 **SEC. 121. CHANGES IN MEDICARE FORMULA FOR PAYMENT**
 6 **OF DIRECT GME COSTS.**

7 (a) USE OF NATIONAL AVERAGE FTE WAGE-RELAT-
 8 ED COMPENSATION AS BASIS FOR PAYMENT.—Section
 9 1886(h)(3)(B)(i) of the Social Security Act (42 U.S.C.
 10 1395ww(h)(3)(B)(i)) is amended by inserting “(or, for
 11 portions of cost reporting periods occurring on or after
 12 January 1, 2001, in the case of a hospital that does not
 13 have in effect the election described in section
 14 113(c)(3)(D)(i) of the All-Payer Graduate Medical Edu-
 15 cation Act, the applicable national average FTE wage-re-
 16 lated compensation, as determined under section
 17 113(c)(3) of such Act)” after “for that period”.

18 (b) ALLOCATION BASED ON MEDICARE REVE-
 19 NUES.—Section 1886(h)(3) of such Act (42 U.S.C.
 20 1395ww(h)(3)) is amended—

21 (1) in subparagraph (C), by inserting before the
 22 period at the end the following: “, or, for portions
 23 of a cost reporting period occurring on or after Jan-
 24 uary 1, 2001, in the case of a hospital that does not
 25 have in effect the election described in section

(c) EFFECTIVE DATE.—The amendments made by this section apply to portions of cost reporting periods occurring on or after January 1, 2001.

(a) IN GENERAL.—Section 1886 of the Social Security Act (42 U.S.C. 1395ww) is amended—

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1 reasonable exemptions and exceptions from the pre-
 2 vious sentence in the case of a hospital that has resi-
 3 dents who are assigned to serve a rural area.”; and

4 (2) in subsection (h)(4)(F), by adding at the
 5 end the following: “The Secretary shall provide for
 6 reasonable exemptions and exceptions from the pre-
 7 vious sentence in the case of a hospital that has resi-
 8 dents who are assigned to serve a rural area.”.

9 (b) EFFECTIVE DATES.—The amendments made
 10 by—

11 (1) subsection (a)(1) apply to discharges occur-
 12 ring on or after January 1, 2000; or

13 (2) subsection (a)(2) apply to cost reporting pe-
 14 riods beginning on or after January 1, 2000.

15 **TITLE II—HEALTH WORKFORCE** 16 **PRIORITIES**

17 **SEC. 201. PLAN TO REDUCE RESIDENCY TRAINING POSI-** 18 **TIONS.**

19 (a) IN GENERAL.—The Secretary of Health and
 20 Human Services shall develop and implement a plan to
 21 reduce beginning with the residency year that begins July
 22 1, 2005, the number of first year training positions in
 23 medical residency training programs in the United States
 24 to 110 percent of the annual number of students graduat-
 25 ing from a medical school in the United States.

1 (b) MONITORING DISTRIBUTION.—In implementing
2 the plan under this section, the Secretary shall monitor
3 the distribution of resident specialties in order to assure
4 that there is an adequate proportion of primary care phy-
5 sicians to fulfill the country’s needs and to ensure access
6 to health care for underserved populations.

7 (c) CONSULTATION.—The plan under this section
8 shall be developed in conjunction with the Institute of
9 Medicine, the Council on Graduate Medical Education, the
10 Association of American Medical Colleges, the American
11 Hospital Association, the American Medical Association,
12 the American Osteopathic Association, and other organi-
13 zations deemed appropriate by the Secretary.

14 (d) REPORT TO CONGRESS.—Not later than 1 year
15 after the date of the enactment of this Act, the Secretary
16 shall submit to the Committee on Ways and Means in the
17 House of Representatives, and to the Committee on Fi-
18 nance in the Senate, a report on providing plan developed
19 under this section.

20 (e) ENFORCEMENT.—

21 (1) IN GENERAL.—Notwithstanding any other
22 provision of law, but subject to paragraph (2), for
23 purposes of computing the amount of payment to be
24 made under subsection (d)(5)(B) or (h) of section
25 1886 of the Social Security Act (42 U.S.C. 1395ww)

for any hospital that the Secretary determines has a medical residency training program in which the number of first year residents exceeds the maximum number permitted for such program under the plan implemented under subsection (a), the number of residents counted shall be reduced by 5 multiplied by the number of such excess.

(2) EXCEPTION FOR HOSPITALS ELECTIVE ALTERNATIVE TREATMENT.—Paragraph (1) does not apply to a hospital for which the election under section 1861(b)(7) of the Social Security Act was in effect on July 1, 1998.

TITLE III—MODIFICATION IN MEDICARE PAYMENT FOR IME AND DSH

SEC. 301. MODIFICATION REGARDING PAYMENTS FOR INDIRECT COSTS OF GRADUATE MEDICAL EDUCATION.

(a) MODIFICATION FROM 5.5% TO 4.8%.—Section 1886(d)(5)(B)(ii) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(B)(ii)) is amended—

(1) by striking “and” at the end of subclause (IV),

(2) by amending subclause (V) to read as follows:

1 “(V) during fiscal year 2001, ‘c’ is
2 equal to 1.35; and”; and

3 (3) by adding at the end the following:

4 “(VI) on or after October 1, 2001, ‘c’
5 is equal to 1.18.”.

6 (b) REPORTING OF IME PAYMENTS.—The Secretary
7 of Health and Human Services, in collaboration with the
8 Institute of Medicine, the Council on Graduate Medical
9 Education, the Association of American Medical Colleges,
10 the American Hospital Association, and other organiza-
11 tions deemed appropriate by the Secretary, shall develop
12 and implement a plan for hospitals that receive additional
13 payments under section 1886(d)(5)(B) of the Social Secu-
14 rity Act to report annually to the Secretary information
15 on how such hospitals contributed to education, improve-
16 ments in clinical services and research infrastructure, and
17 community services operated by or in such hospitals. The
18 first such report shall be submitted for cost reporting peri-
19 ods beginning during fiscal year 2002.

20 **SEC. 302. MODIFICATION OF DSH.**

21 (a) COLLECTION OF CHARGE DATA.—Section
22 1886(d)(5)(F) of the Social Security Act (42 U.S.C.
23 1395ww(d)(5)(F)) is amended by adding at the end the
24 following new clause:

1 “(x) The Secretary shall collect from all subsection
 2 (d) hospitals annual data on inpatient and outpatient
 3 charges, including all such charges—

4 “(I) for all patients;

5 “(II) for patients who are eligible for benefits
 6 (excluding any State supplementation) under the
 7 supplemental security income program under title
 8 XVI and entitled to benefits under part A;

9 “(III) for patients who are entitled to (or, if
 10 they applied, would be eligible for) medical assist-
 11 ance under title XIX;

12 “(IV) for patients who are beneficiaries of indi-
 13 gent care programs sponsored by State or local gov-
 14 ernments; and

15 “(V) to the extent that payment is not made
 16 because of an inability of the patient to pay (or have
 17 payment made on the patient’s behalf for) such
 18 charges.”.

19 (b) REVISION OF FORMULA FOR DISPROPORTIONATE
 20 PATIENT PERCENTAGE.—Clause (vi) of such section is
 21 amended to read as follows:

22 “(vi) In this subparagraph, the term ‘disproportion-
 23 ate patient percentage’ means, with respect to a cost re-
 24 porting period of a hospital—

1 “(I) the charges described in subclauses (II)
 2 through (V) of clause (x) for such period; divided by
 3 (II) the charges described in clause (x)(I) for such
 4 period.”.

5 (c) ESTABLISHING GENERAL QUALIFYING DIS-
 6 PROPORTIONATE PATIENT PERCENTAGE THRESHOLD TO
 7 COVER HALF OF PPS HOSPITALS.—Clause (v) of such
 8 section is amended by striking “equals, or exceeds—” and
 9 all that follows and inserting “equals or exceeds a thresh-
 10 old percentage, which is established by the Secretary in
 11 a manner so that, if the amendments made by section 302
 12 of the All-Payer Graduate Medical Education Act had
 13 been in effect for cost reporting periods ending in fiscal
 14 year 2000, 50 percent of subsection (d) hospitals would
 15 have been eligible for an additional payment under this
 16 subparagraph for such periods. The Secretary shall estab-
 17 lish such threshold percentage based upon data collected
 18 by the Secretary under clause (x) for such cost reporting
 19 periods.”.

20 (d) ESTABLISHING UNIFORM GENERAL PAYMENT
 21 FORMULA.—Such section is further amended—

22 (1) in clause (iv), by striking “and that—” and
 23 all that follows and inserting “is equal to (P-
 24 T)(CF), where—

1 “(I) ‘P’ is the hospital’s disproportionate pa-
 2 tient percentage (as defined in clause (vi));

3 “(II) ‘T’ is equal to the threshold percentage
 4 established by the Secretary under clause (v); and

5 “(III) ‘CF’ is equal to such conversion factor as
 6 the Secretary may establish so that, applying such
 7 conversion factor as if the amendments made by sec-
 8 tion 302 of the All-Payer Graduate Medical Edu-
 9 cation Act had been in effect for cost reporting peri-
 10 ods ending in fiscal year 2000, the total of the addi-
 11 tional payments that would have been made under
 12 this subparagraph is equal to the total of the pay-
 13 ments actually made under this subparagraph (not
 14 taking into account such amendments).

15 The Secretary shall establish the conversion factor under
 16 subclause (III) based upon data collected by the Secretary
 17 under clause (x) for cost reporting periods ending in fiscal
 18 year 2000.”; and

19 (2) by striking clauses (vii) and (viii).

20 (e) CARVING OUT DSH PAYMENTS FROM PAYMENTS
 21 TO MEDICARE+CHOICE ORGANIZATIONS AND PAYING
 22 THE AMOUNTS DIRECTLY TO DSH HOSPITALS TREATING
 23 MEDICARE+CHOICE ENROLLEES.—

24 (1) IN GENERAL.—Section 1853(c)(3) of the
 25 Social Security Act (42 U.S.C. 1395w–23(c)(3)), as

1 inserted by section 4001 of the Balanced Budget Act
2 of 1997, is amended—

3 (A) in subparagraph (A), by striking “sub-
4 paragraph (B)” and inserting “subparagraphs
5 (B) and (D)”;

6 (B) by redesignating subparagraph (D) as
7 subparagraph (E); and

8 (C) by inserting after subparagraph (C)
9 the following new subparagraph:

10 “(D) REMOVAL OF PAYMENTS ATTRIB-
11 UTABLE TO DISPROPORTIONATE SHARE PAY-
12 MENTS FROM CALCULATION OF ADJUSTED AV-
13 ERAGE PER CAPITA COST.—

14 “(i) IN GENERAL.—In determining
15 the area-specific Medicare+Choice capita-
16 tion rate under subparagraph (A) for a
17 year (beginning with 2002), the annual per
18 capita rate of payment for 1998 deter-
19 mined under section 1876(a)(1)(C) shall be
20 adjusted, subject to clause (ii) to exclude
21 from the rate the additional payments that
22 the Secretary estimates were payment dur-
23 ing 1997 for additional payments described
24 in section 1886(d)(5)(F).

1 “(ii) TREATMENT OF PAYMENTS COV-
 2 ERED UNDER STATE HOSPITAL REIM-
 3 BURSEMENT SYSTEM.—To the extent that
 4 the Secretary estimates that an annual per
 5 capita rate of payment for 1997 described
 6 in clause (i) reflects payments to hospitals
 7 reimbursed under section 1814(b)(3), the
 8 Secretary shall estimate a payment adjust-
 9 ment that is comparable to the payment
 10 adjustment that would have been made
 11 under clause (i) if the hospitals had not
 12 been reimbursed under such section.”.

13 (2) ADDITIONAL PAYMENTS FOR MANAGED
 14 CARE ENROLLEES.—Section 1886(d)(5)(F) of such
 15 Act ((42 U.S.C. 1395ww(d)(5)(F)) is amended—

16 (A) in clause (ii), by striking “clause (ix)”
 17 and inserting “clauses (ix) and (x)”, and

18 (B) by adding at the end the following:

19 “(ix)(I) For portions of cost reporting periods occur-
 20 ring on or after January 1, 2002, the Secretary shall pro-
 21 vide for an additional payment amount for each applicable
 22 discharge of any subsection (d) hospital that is a dis-
 23 proportionate share hospital (as described in clause (i)).

24 “(II) For purposes of this clause, the term ‘applicable
 25 discharge’ means the discharge of any individual who is

1 enrolled under a risk-sharing contract with an eligible or-
2 ganization under section 1876 and who is entitled to bene-
3 fits under part A or any individual who is enrolled with
4 a Medicare+Choice organization under part C.

5 “(III) The amount of the payment under this clause
6 with respect to any applicable discharge shall be equal to
7 the estimated average per discharge amount that would
8 otherwise have been paid under this subparagraph if the
9 individuals had not been enrolled as described in subclause
10 (II).

11 “(IV) The Secretary shall establish rules for an addi-
12 tional payment amount, for any hospital reimbursed under
13 a reimbursement system authorized under section
14 1814(b)(3) if such hospital would qualify as a dispropor-
15 tionate share hospital under clause (i) were it not so reim-
16 bursed. Such payment shall be determined in the same
17 manner as the amount of payment is determined under
18 this clause for disproportionate share hospitals.”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 subsections (a) through (d) of this section apply to pay-
21 ments for discharges occurring on or after January 1,
22 2002.

1 **TITLE IV—ADDITIONAL PAY-**
2 **MENTS FOR GRADUATE EDU-**
3 **CATION FOR NON-PHYSICIAN**
4 **HEALTH PROFESSIONALS**

5 **SEC. 401. PAYMENTS FOR GRADUATE EDUCATION FOR**
6 **NON-PHYSICIAN HEALTH PROFESSIONALS.**

7 (a) DEVELOPMENT OF PLAN.—

8 (1) IN GENERAL.—Not later than 3 years after
9 the date of the enactment of this Act, the Secretary
10 of Health and Human Services shall develop (and
11 submit to Congress a report on) a plan to provide
12 support to institutions that provide graduate health
13 care education for non-physician health profes-
14 sionals.

15 (2) CONSULTATION.—The Secretary shall de-
16 velop the plan in consultation with the Council on
17 Graduate Medical Education, the Institute of Medi-
18 cine, the American Hospital Association, the Asso-
19 ciation of American Medical Colleges, the American
20 Nurses Association, the American Physical Therapy
21 Association, the American Occupational Therapy As-
22 sociation, the American Speech-Language-Hearing
23 Association, and other organizations as deemed ap-
24 propriate by the Secretary.

1 (b) PAYMENTS.—For each fiscal year, beginning with
2 first fiscal year that begins after the report under sub-
3 section (a) has been submitted to Congress, the Secretary
4 of Health and Human Services shall provide from the
5 Health Care Workforce Trust Fund (established under
6 section 9511 of the Internal Revenue Code of 1986) for
7 support in the aggregate amount of \$300,000,000 for in-
8 stitutions providing graduate health care education for
9 non-physician health professionals. Such support shall be
10 provided under such terms and conditions as the Secretary
11 establishes in order to carry out the plan developed under
12 subsection (a).

○